National Library of Canada Cataloguing in Publication Data
B.C. Pavilion Corporation.
Annual report. – 1988/89-

Annual.
Report year ends March 31.
ISSN 1182-333X = Annual report (British Columbia Pavilion Corporation)
Also available on the Internet.

1. B.C. Pavilion Corporation - Periodicals. 2. B.C. Pavilion Corporation – Appropriations and expenditures – Periodicals. I. Title. II. Title: PavCo annual report. III. Title: British Columbia Pavilion Corporation annual report. IV. Title: B.C. Pavilion Corporation annual report.

TX907.3.B74 647.96910971133 C91081299

2008-01515/

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MESSAGE FROM THE CHAIR TO THE MINISTER RESPONSIBLE

I am pleased to present the Annual Report for B.C. Pavilion Corporation (PavCo) for the year ended March 31, 2007.

PavCo's mandate is to increase economic benefit to British Columbia through the operation of BC Place, Vancouver Convention & Exhibition Centre, and the Bridge Studios. As a result of exceptional event activity, PavCo's facilities produced significant benefit to the economy of British Columbia during the year ended March 31, 2007. PavCo generated the highest revenues ever from its facilities and significantly surpassed its targets for visitor and delegate numbers, and economic benefit to the Province during the year.

The convention and meetings business generates enormous economic benefits to the cities that host these events. As a result, competition for this business is intense and clients routinely expect special concessions from the hosting cities and centres. Events in PavCo's facilities are booked several years in advance, and for many years the facilities have been operating at close to capacity during the peak show seasons. As a result of the demand for event space, an expansion is underway at Vancouver Convention & Exhibition Centre that will open in 2009.

Vancouver is an attractive destination for US and other international travellers. The continued rise in the value of the Canadian currency, in addition to border security and passport matters, has created challenges. However, bookings have remained strong, and no events have been lost as a result of the passport initiative.

The air supported roof at BC Place deflated in January 2007. No injuries occurred as a result of this incident. The roof was repaired and reinflated within two weeks, and no events were cancelled or rescheduled during this time.

The Bridge Studios, which has been operated by PavCo since 1989 will be sold in May 2007. Following this, PavCo's core facilities will be Vancouver Convention & Exhibition Centre and BC Place. Following the opening of the expansion to Vancouver Convention & Exhibition Centre in 2009, the combined facility will offer a total of nearly 500,000 square feet of function space. Both of PavCo's facilities will be key venues for the 2010 Winter Olympic and Paralympic Games. PavCo will continue to work with clients and VANOC to ensure that as many ongoing events as possible can be accommodated before and after the Olympics with minimal disruption to business.

PavCo has the lead role in the marketing and sales of the expanded Vancouver Convention & Exhibition Centre, and has scheduled events in the expanded the facility from opening to 2019. The expanded facility will be a centerpiece for BC products, and its events will attract a significant number of affluent business travellers from key national and international markets.

Both Vancouver Convention & Exhibition Centre and BC Place are over 20 years old. PavCo will work with the shareholder to ensure the most effective future governance structure for the organization, and that the facilities are maintained in a way to ensure optimal economic benefit, customer satisfaction and usage for the future.

On behalf of the Board of Directors, I wish to thank the Minister of Tourism, Sport and the Arts, management and staff for their contribution to the results of this past year and to the continued success of PavCo.

David Podmore
Chair of the Board

The 2006/07 PavCo Annual Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented is prepared in accordance with the BC Reporting Principles and reflects the actual performance of PavCo for the 12 months ended March 31, 2007 in relation to the February 2006 Service Plan. The measures presented are consistent with PavCo's mission, goals and objectives, and focus on aspects critical to PavCo's performance.

I am responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of May 24, 2007 have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgement of management. Any changes in mandate direction, goals, objectives, strategies, measures or targets made since the February 2006 Service Plan was released and any significant limitations in the reliability of data are identified in the report.

Doris Daughney
Past Chair of the Board

ORGANIZATIONAL OVERVIEW

B.C. Pavilion Corporation is a British Columbia corporation incorporated in 1984 under the *Company Act of British Columbia*, continued under the Business Corporations Act.

B.C. Pavilion Corporation registered PavCo as a business name under the *Partnership Act (British Columbia)* on September 23, 1999.

There are also a number of other statutes relevant to B.C. Pavilion Corporation - the most significant being the *British Columbia Enterprise Corporation Act*, which names it an agent of the government, binds it by the same laws as government, and gives it the same immunities as the government.

PavCo is responsible to the Minister of Tourism, Sport and the Arts through a Board of Directors appointed by the minister responsible.

PavCo operates three public facilities within the lower mainland of British Columbia namely the Vancouver Convention & Exhibition Centre, BC Place, and the Bridge Studios. These facilities provide space for conventions, trade and consumer shows, film and TV productions, sporting events, and a variety of special events. BC Place is owned and operated by PavCo, and Vancouver Convention & Exhibition Centre is leased from Canada Place Corporation, a Federal Government Authority. The Bridge Studios is to be sold in May 2007.

Vancouver Convention & Exhibition Centre was developed to generate economic benefit for British Columbia. This mandate is addressed by generating direct spending by event organizers and delegates, promoting trade and investment, acting as a showcase for British Columbia products and services, and positioning the Province as a centre for professional development and business activity.

BC Place was designed as a multi-purpose facility for professional sporting events, and trade and consumer shows, thereby serving key community and provincial functions.

As a facility operator, PavCo contracts many of the event functions to third parties in order to achieve the most effective service delivery model. The most significant contracts are with Servomation Inc, which provides foodservices at BC Place and the Vancouver Convention & Exhibition Centre.

As a customer driven organization, PavCo continuously measures the satisfaction of clients and guests at its facilities. This includes ratings of satisfaction of the sales process, services provided, and the overall experience that patrons have enjoyed while visiting the facilities. The results are monitored and acted upon promptly, as PavCo's long-term reputation within the event business could be at risk if left unattended. PavCo management is proud of the high ratings that have continued during recent years despite its facilities being over 20 years old.

Principal stakeholders of PavCo include the Provincial Government, businesses and associations representing the tourism and hospitality industry, clients renting space for events, suppliers of goods and services to events, and the public attending events.

VISION

To be a recognized leader in event facility management.

MISSION

To provide an event experience that exceeds the expectations of our clients and guests.

MANDATE

To generate economic and community benefit for the people of British Columbia through the prudent management of public facilities.

VALUES

Quality and Service – We set and meet the highest standards of service.

Respect, Fairness, and Honest Communication – We treat each other as we wish to be treated, and we openly share information to increase employee understanding and meaningful involvement.

Financial Responsibility – We make significant economic contributions to the Province and generate revenues to offset our operating costs.

Creativity and Innovation – We take responsible risks to find better ways, new methods and processes to get the job done.

Enthusiasm – We show our enjoyment of our work.

Environmental Responsibility – We continually look for new ways of conducting our business to reduce environmental impacts.

Integrity – We apply our values and deliver on our promises.

REPORT ON PERFORMANCE

PavCo completed Fiscal 2006/07 with record revenues at each of its three operating facilities: Vancouver Convention & Exhibition Centre, BC Place and Bridge Studios. Performance was significantly better than expected as a result of the occurrence of new events, and increased revenues from certain contracted events, reflecting the strong economy in British Columbia. During the peak show seasons, both BC Place and Vancouver Convention & Exhibition Centre were at effective capacity, with no prime rental dates available. PavCo continues to work with show managers to attract infill business during the non-peak periods.

PavCo generated $510 million in economic benefits during the year. This was significantly higher than for Fiscal 2005/06 with most of the increase from activity at Vancouver Convention & Exhibition Centre where economic benefits were significantly higher than forecast due to increased numbers of non-resident delegate days. At BC Place, the Rolling Stones Concert attracted people worldwide. This, combined with an unbudgeted football playoff game, generated higher economic benefits. Benefits generated through activities at Bridge Studios were close to target and previous year results.

Fiscal 2006/07 was an exceptional year for the Vancouver Convention & Exhibition Centre, which achieved record revenues, hosted the largest event in its history, and exceeded its non-resident delegate day targets by 16%. BC Place was the venue for the Rolling Stones "Bigger Bang" tour and the Canadian Football League Western Final, attended by over 51,000 football fans. The Bridge Studios continued to operate at close to full capacity with production of TV series, movies, and commercial shoots.

Vancouver Convention & Exhibition Centre has continued with its aggressive international sales and marketing program begun in 2003 to attract new business for the expanded facility. Results to date are very positive as pent up demand and a diversified business mix is leading to the conversion of business from tentative to confirmed. The long-term nature of the booking cycle for major conventions is increasing due to the larger events that the Vancouver Convention & Exhibition Centre will be able to accommodate following expansion.

Challenges to future event business at Vancouver Convention & Exhibition Centre include increasing client expectations for discounts and incentives, competition from new and expanding facilities in other markets, the strength of the Canadian dollar, new US passport regulations and uncertainty around GST rebates for convention planners and delegates. However, these challenges are offset by the interest generated by expansion, Vancouver Convention & Exhibition Centre's reputation for service excellence and the attractiveness of Vancouver and British Columbia to increasingly selective delegates. At the same time, Vancouver Convention & Exhibition Centre's emphasis on market diversification has positioned the Centre to balance any reductions in US business with events from other international and national markets.

Similar to other facilities worldwide, market rental rates at BC Place and Vancouver Convention & Exhibition Centre are such that revenues from operations are insufficient to cover operating and capital expenses. The resulting shortfalls are covered by an annual contribution from the Ministry of Tourism, Sport and the Arts, and represent a small proportion of the overall economic benefits generated.

BC Place drives the local trade and consumer show markets, and provides space for exhibitions too large to be held elsewhere. It is also the venue for large spectator events, and will be the host venue for

the Opening and Closing Ceremonies at the 2010 Winter Olympic Games, the nightly medal awards and cultural events, and the Opening Ceremonies for the 2010 Paralympic Games.

A deflation of the air-supported roof at BC Place occurred in January 2007. This took place during a period when there were no events using the facility. The roof was repaired and reinflated within two weeks with no subsequent loss of business to BC Place. There were no injuries from the incident and insurance was in place.

PavCo directly, and through its contracts engages over 1,000 persons at its facilities to provide services to guests. Many of these employees work on a part-time basis, as their employment hours are based on event schedules. At BC Place in particular, it is becoming increasingly difficult to recruit and retain event staff on a long-term basis due to the changing work schedules at certain times of the year, and low unemployment levels. Management is working with the union at BC Place Stadium, and suppliers to recruit new part-time staff.

PavCo has rephrased and revised certain goals and targets since publication of the 2006/07 to 2008/09 Service Plan. Appendix 1 provides additional information regarding the comparison of new and prior performance measures and the sources of data for the measures.

STRATEGIC GOALS

PavCo has the following four strategic goals:

- maximize revenues and economic growth, and use funding in a manner that provides optimum return to the shareholder;
- maintain and increase client services and satisfaction;
- maintain and improve the facilities under our management; and
- increase innovation, learning, and growth in our workforce.

Goal 1 - Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the shareholder

We strive to achieve our mandate, which is to generate economic and community benefit for the people of British Columbia through the prudent management of public facilities. The events held at our facilities support British Columbia's business and leisure tourism industry, as well as its trade development infrastructure. Our clients and guests from out-of-Province fill hotel rooms, patronize local businesses, and conduct pre- and post- event activities throughout the Province.

PavCo also strives to meet its financial targets each year to ensure financial sustainability and to minimize its reliance on shareholder funding. Client expectations and competition from other venues are causing downward pressure on revenues, while our ageing facilities and external challenges are creating an upward pressure on cost. It is important for PavCo to maximize private sector revenue and to use the funding provided in the areas most likely to generate long-term economic benefit to British Columbia and to the organization.

Key Strategies

Improve the return to the shareholder on its investment in PavCo's facilities, primarily through:

- seeking events from out-of-Province that will generate the maximum amount of economic benefits to our community;
- seeking events that will promote growth and support for British Columbia's business base;
- diversifying markets to stabilize long term business;
- repositioning our facilities as being more flexible to users; and
- increasing operational efficiencies.

Performance Measures and Targets

Compare economic impacts generated: Economic impacts are calculated on surveyed or estimated expenditures by organizers and visitors at events in our facilities, subsequent spending in the Province following the event activity, and the multiplier effect through the economy of such spending. Actual results for Fiscal 2006/07 and projections for Fiscal 2007/08 were calculated in March 2007. Estimates for subsequent years have been prepared by PavCo management based on anticipated attendance and activity at the facilities.

	Actual 04/05	Actual 05/06	Forecast 06/07	Actual 06/07	Targets 07/08	Targets 08/09
Performance Measure – Compare economic impacts generated						
VCEC[1]	$214m	$202m	$218m	$242m	$220m	$249m
BC Place[2]	$19m	$33m	$24m	$28m	$24m	$21m
The Bridge Studios[3]	$190m	$246m	$245m	$240m	-	-

[1] The forecast and targets for VCEC were revised from the numbers provided in the Fiscal 2006/07 to 2008/2009 Service Plan as the underlying data and methodology for calculation of the benefits was refined.
[2] The 2006/07 forecast, and 2008/09 target for economic benefits at BC Place were those reported in the 2007/08 to 2009/10 Service Plan. They were revised from the original projections as a result of analysis of events booked for those years. Results for 2006/07 and the target for 2007/08 were calculated by a third party consultant based on events that have occurred or have been booked at the facility.
[3] Targets for the Bridge Studios for Fiscal 2007/08 to 2008/09 have been removed, as this facility will be sold in May 2007.

PavCo generated an estimated $510 million in net economic benefits to the Province through its activities during Fiscal 2006/07, compared to a forecast of $487 million, and Fiscal 2005/06 actual results of $481 million.

The economic impact of $242 million generated from activity at Vancouver Convention & Exhibition Centre was $24 million higher than the Fiscal 2006/07 forecast primarily as a result of increased numbers of non-resident delegates attending events, and $40 million higher than the Fiscal 2005/06 results, due to more non-resident delegate attendees.

Unlike many other convention centres, Vancouver Convention & Exhibition Centre calculates only economic impact that arises from non-resident delegate and organizer spending rather than overall spending by both local and non-resident delegates.

Vancouver Convention & Exhibition Centre still compares favourably in this regard with Canadian, US and International centres when adjusted for the size of rentable space. Vancouver Convention & Exhibition Centre (133,000 sq. ft.) has calculated an economic impact of $242 million for Fiscal 2007 compared with the Calgary TELUS Convention Centre (140,000 gross sq.ft.) which reports $60 million

of annual economic impact, the San Diego Convention Centre (821,000 gross sq.ft.) at $1.1 billion US, and the Melbourne Convention and Exhibition Centre (404,000 gross sq. ft) at $192 million.

In Fiscal 2007, the benefits accrued to the Province of British Columbia of $28 million generated from activities at BC Place were higher than forecast as a result of the unbudgeted Rolling Stones Concert, and the BC Lions play-off game, but lower than in the previous year when the Grey Cup was held at the facility. Grey Cup is held in different CFL cities each year.

Benefits generated in Fiscal 2006 were significantly higher than in Fiscal 2005 with the occurrence of Grey Cup and a playoff game. Both events attracted a large number of out-of-province attendees. Economic benefits are calculated on per-diem spending by out-of-province attendees, exhibitors and producers.

Occupancy for the year continued close to effective capacity at Bridge Studios, and the benefits generated of $240 million were close to forecast and actual results achieved in the previous year. PavCo uses industry-calculated estimates for total British Columbia costs of productions occurring at the Bridge Studios in order to calculate economic benefits generated on those productions.

Operating subsidy for the facilities (before depreciation) – PavCo strives to retain the lowest subsidy levels possible at Vancouver Convention & Exhibition Centre and BC Place while investing adequate resources in order to maintain the highest possible economic impact. The subsidy level at Vancouver Convention & Exhibition Centre will continue to rise as a result of advance marketing initiatives in preparation for expansion and for operating the expanded facility. At BC Place, there is close to full occupancy in the main show season, but limited demand for space in the quieter summer months, resulting in an operating deficit.

	Actual 04/05	Actual 05/06	Forecast 06/07	Actual 06/07	Targets 07/08	08/09
Performance Measure – subsidy for the facilities, including capital (before depreciation) in $ millions						
VCEC – subsidy including capital	$0.959	$2.526	$2.758	$2.328	$3.220	$6.859
BC Place – subsidy including capital	$3.208	$4.160	$3.911	$4.177	$3.852	$3.594

The subsidy for Fiscal 2006/07 at the Vancouver Convention & Exhibition Centre was lower than for Fiscal 2005/06 as a result of increased event activity during the year. The subsidy was also lower than forecast as a result of unbudgeted event revenues. Some of the savings were invested in repairs to the facility.

The subsidy for BC Place was close to forecast and the financial results for the previous fiscal year. Unbudgeted event activity during the year resulted in increased facility margins. These were invested in capital repairs and improvements to the facility.

Revenues at the Bridge Studios – Revenues at the Bridge Studios increase if high occupancy levels are maintained and stepped increases in existing rental agreements are achieved. Higher occupancy levels also result in increased generation of economic benefits to the Province.

	Actual 04/05	Actual 05/06	Forecast 06/07	Actual 06/07	Targets 06/07	07/08
Performance Measure – Revenues at the Bridge Studios						
The Bridge Studios [4]	$3.352m	$4.503m	$4.135m	$4.764m	-	-

[4] Targets for the Bridge Studios for Fiscal 2007/08 to 2008/09 have been removed, as this facility will be sold in May 2007.

Revenues at the Bridge Studios exceeded expectation for the year with the stages operating at close to capacity during the year, and long-term rental of office space normally only occupied during peak production periods. Revenues exceeded the prior years results as a result of market rental increases to clients and additional rental of office space.

Increased non-resident delegate days at Vancouver Convention & Exhibition Centre – As the economic benefit generated by non-resident delegates represents "new" money coming into the BC economy, this is the first priority and primary performance indicator for Vancouver Convention & Exhibition Centre. Non-resident delegate days are the combination of delegate numbers and the days they stay in British Columbia, and are correlated with specific spending numbers determined through direct delegate surveys.

	Actual 04/05	Actual 05/06	Forecast 06/07	Actual 06/07	Targets 07/08	08/09
Performance Measure – Number of non-resident delegate days at VCEC						
VCEC	146,484	139,283	149,703	173,547	151,646	168,244

Non-resident delegate days for Fiscal 2006/07 were higher than forecast for the year as a result of an increased number of events and higher attendance of non-resident delegates than anticipated.

The number of non-resident delegate days generated by Vancouver Convention & Exhibition Centre events is an important performance measure as non-resident spending is significantly higher than that of tourists, and it would not have otherwise occurred in the jurisdiction if the Centre did not exist. Vancouver Convention & Exhibition Centre has encouraged the use of non-resident delegate days as a measure to other British Columbia convention centres. The comparative results are as follows for calendar year 2006.

	Vancouver	Penticton	Prince George	Telus Whistler	Victoria
Non-resident delegate days 2006[5]	252,567	74,425	11,243	50,620	117,919

[5] Source the PricewaterhouseCoopers Annual Survey of North American Convention Centres (2006). Non-resident delegate days reported are for visits from outside the various metropolitan areas. PavCo's measure for non-resident delegates and economic impact is to the province, and therefore shows a lower number.

In addition, the total number of non-resident delegate days is a reasonable proxy for hotel room nights as non-residents attending a convention are very likely to be using hotel accommodation during their stay. Vancouver Convention & Exhibition Centre compares very favorably with other centres.

	VCEC	Centres with less than 100,000 sq. ft. of Exhibit Space	National Markets
Hotel room nights[6]	100,023	45,700	99,500

[6] Room nights reported through the PricewaterhouseCoopers Annual Survey of North American Convention Centres (2006).

Increased attendance at BC Place - Increased attendance levels at BC Place drives higher sales of stadium services, including food and beverage sales. As the number of patrons attending events increase, the facility becomes more attractive for corporate sponsors to purchase interior signage and exclusive supply rights.

	Actual 04/05	Actual 05/06	Forecast 06/07	Actual 06/07	Targets 07/08	Targets 08/09
Performance Measure – Attendance at BC Place (in thousands)						
BC Place	884	1,021	892	984	900	915

Attendance at BC Place for Fiscal 2006/07 significantly exceeded the target as a result of unbudgeted events occurring at the facility, including a BC Lions playoff game, and a concert by the Rolling Stones in November 2006. Playoff games for football are not included in target levels due to inherent uncertainty.

Goal 2 - Maintain and increase client services and satisfaction

By increasing the satisfaction of our customers, PavCo's reputation as an organization capable of attracting and producing world-class events will drive future attendance levels. This will further enable us to achieve our primary goal of maximizing economic growth to British Columbia. Many of our guests from out-of-province spend extra time in the region post event, and later, return with their families as tourists.

Key Strategies

- continue to provide a high level of service to support retaining our customers;
- work with our industry partners to attract guests who will bring the greatest amount of benefits to the local and Provincial economies; and
- promote our facilities as the preferred venues for client target markets.

Performance Measures and Targets

Service Quality Survey Scores – We conduct Quality Surveys with clients and guests at our facilities to determine their expectations and satisfaction levels. We will improve service levels where possible. The event business is very competitive, and client satisfaction is critical. Negative

experiences can lead to clients failing to return, or not recommending our facilities to other potential clients.

	Actual 04/05	Actual 05/06	Forecast 06/07	Actual 06/07	Targets 07/08	08/09
Performance Measure – Service Quality Survey Scores						
VCEC	84%	84%	80%	84%	78%	75%
BC Place	83%	87%	85%	92%	85%	85%

Service quality scores were expected to decline at the Vancouver Convention & Exhibition Centre as a result of noise and disruption from nearby construction (including both Vancouver Convention & Exhibition Centre expansion and adjacent hotel development), work on transportation infrastructure and the deterioration of the Centre's infrastructure and fit and finish. However, declines have not been as significant as expected due to extraordinary customer service efforts by staff. A partial retrofit expected following opening of the expansion should reduce potential impacts further.

Client satisfaction increased significantly at BC Place. This is a result of ongoing improvements to client services, ongoing improvements in foodservices and staff management. The continuation of the innovative "Be a Fan, Not a Fool" fan empowerment program for the second year resulted in improvement in satisfaction from BC Lions management and fans. Satisfaction at the facility is not expected to improve in the period to Fiscal 2008/09 without further upgrades to address the effects of the ageing facility.

Percentage retention of existing business – At BC Place, most of business is from clients who return on a regular basis. We strive to retain our core business. It is very costly to attract new events, and is disruptive to shows if event schedules are changed. We will improve our service levels wherever possible in order to retain our clients.

	Actual 04/05	Actual 05/06	Forecast 06/07	Actual 06/07	Targets 07/08	08/09
Performance Measure – Percentage retention of existing business						
BC Place	96%	96%	95%	96%	95%	95%

The percentage of events retained was equal to the actual results achieved for Fiscal 2005/06. It was anticipated that some events that have occurred at BC Place for several years would not be retained for Fiscal 2006/07 due to declining attendance numbers and competition from other venues to attract their business. However, most of the events considered to be at risk of leaving the facility renewed their contracts.

Goal 3 - Maintain and improve the facilities under our management

We will maintain our facilities to the best standard possible in order to attract new clients. We have developed repair plans at each of our facilities, and plan for improvement and expansion of some of our services. Improvement to our properties will make us more competitive with other facilities and should result in an increase in overall occupancy and profitability. A retrofit of the existing Vancouver Convention & Exhibition Centre is anticipated after the expansion has opened, and options for refurbishing BC Place are being developed to bring the facility to acceptable standards for clients and guests.

Vancouver Convention & Exhibition Centre and BC Place will both be used for high-profile activities during the 2010 Winter Olympic and Paralympic Games.

Key Strategy

- implement repair and maintenance plans to improve the facilities under our management

Performance Measure and Targets

Gross margin on events: Ongoing repairs and maintenance to our equipment and facilities at BC Place ensure clients hold their events with us, and assist us in maximizing margins on those events.

	Actual 04/05	Actual 05/06	Forecast 06/07	Actual 06/07	Targets 07/08	Targets 08/09
Performance Measure – compare the gross margin received on events [7]						
BC Place	49%	49%	45%	49%	45%	45%

[7] The measure has been revised to exclude football revenues from the calculations. The margin from football events is typically lower than other business at the facility. A comparison of pre-football margins is therefore considered to be a more reliable indicator of profitability of the new business that is being attracted to the facility.

Margins were consistent with historical normals in Fiscal 2006/07. The gross margin excludes professional football, for which most of the staff and service costs are not recoverable. Professional football gross margins were 11% in Fiscal 2006/07 and are targeted at 9% in Fiscal 2007/08.

Percentage Occupancy at the Bridge Studios – The film business is highly competitive, and sensitive to economic downturns. Film producers select studios based on service quality and professionalism. We will improve our service levels and give producers a choice of value added products in order for them to conduct business in the most profitable manner.

	Actual 04/05	Actual 05/06	Forecast 06/07	Actual 06/07	Targets 07/08	Targets 08/09
Performance Measure – Percentage occupancy at the Bridge Studios						
The Bridge Studios[8]	93%	95%	95%	95%	-	-

[8] Targets for the Bridge Studios for Fiscal 2007/08 to 2008/09 have been removed, as this facility will be sold in May 2007.

Goal 4 – Increase innovation, learning, growth and development in our workforce

We strive to keep our employees' skills at optimum levels so that they can participate in our operations in a professional and meaningful way. The new skills that they acquire through their learning activities will maintain PavCo as a leading organization for innovation and creativity in its industry sector. We monitor training activity and measure the rate of staff retention.

Key Strategies

- continue to support staff development in required skill areas, build capacity and motivation to achieve our strategic goals; and
- implement a performance-contingent compensation system.

Performance Measure and Targets

Employee retention – At BC Place, many of our staff hold technical qualifications. In the tightening employment market, there is high demand for trades staff, and it is increasingly difficult to attract them to our facilities. Through continuous improvement programs we will strive to retain a high proportion of our employees on a long-term basis. Due to the cyclical nature of our events, it is also a challenge to retain our part-time employees, and the ongoing hiring process is costly.

	Actual 04/05	Actual 05/06	Forecast 06/07	Actual 06/07	Targets 07/08	Targets 08/09
Performance Measure – Employee retention						
BC Place – Employee retention	89%	82%	90%	80%	90%	90%

Employee retention levels remained close to those in Fiscal 2005/06, and were significantly lower than target for the year. This was result of the competitive labour market and the difficulty in retaining many employees who are not required work on more than a casual basis.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

PavCo's three-year Service Plan is prepared with reference to, and guidance from, the Government's Five Goals as outlined in the February 2005 Throne Speech. PavCo's business aligns with a number of these goals, including:

- create more jobs per capita than anywhere else in Canada;
- lead the world in sustainable environmental management; and
- make BC the best educated, most literate jurisdiction on the continent.

Major international conventions and exhibitions hosted at the Vancouver Convention & Exhibition Centre advance research, technology and professional development, thereby promoting both education and literacy in British Columbia. The Vancouver Convention & Exhibition Centre expansion is a model of sustainable design and construction, as are the existing facility's environmental practices. Together these serve as evidence of British Columbia's environmental commitment. Finally, business attracted to PavCo's facilities stimulates the Provincial economy and creates significant employment in the hospitality and service industry.

2008 marks the 150th anniversary of the establishment of British Columbia as a Crown colony. The Ministry of Tourism, Sport and the Arts has the mandate to coordinate cross government activities related to the celebration of this significant event. In addition to honoring the past, BC2008 provides a vehicle to focus on and celebrate the future. PavCo will work with the Ministry of Tourism, Sport and the Arts on the five pillars of the 2008 celebration: Heritage; Communities; Multiculturalism; Aboriginal Peoples; and Arts and Culture.

FINANCIAL REPORT

Management Discussion and Analysis

Management is pleased to present the financial results of PavCo for the year ended March 31, 2007.

During the year ended, the Shareholder directed PavCo to sell Bridge Studios. The sale will complete in May 2007. As a result of this the pending sale, net income from operations for the Bridge Studios has been reclassified in the financial statements from continuing operations to discontinued operations. Continuing operations are Vancouver Convention & Exhibition Centre, BC Place, and Corporate Services.

In Fiscal 2006/07, PavCo lost $5.880 million on operations prior to net income from Bridge Studios and government contributions. This compares to restated losses of $6.159 million in Fiscal 2005/06, and $4.416 million in Fiscal 2004/05.

Revenues from operations and gross margin increased from Fiscal 2005/06 due to additional events being held at PavCo's facilities, and their resulting profitability. Facility expenses also increased from Fiscal 2005/06 with increased staffing and business development costs due to activity for the expansion of the Vancouver Convention & Exhibition Centre, more repairs and maintenance projects being carried out at the facilities, and depreciation of new assets purchased during the year.

Revenues from operations and gross margin also increased from the target for Fiscal 2006/07 due to unbudgeted event activity at the facilities and higher revenues generated by contracted events. Facility expenses increased from the target as a result of increased marketing communications activity than planned and depreciation of additional assets purchased during the year.

Capital expenditures during the year were $3.853 million. The largest portion of this was for improvements to BC Place, including scoreboards, foodservice equipment and public washroom upgrades.

Future Outlook

Revenue expectations for PavCo's core facilities are expected to remain stable to Fiscal 2008/09 with some fluctuations due to changing event activity. There are growing expectations from clients for subsidies on rental and other related payments in recognition of the benefits that their events bring to Vancouver. The facilities will continue to operate at close to capacity during their peak usage periods.

The effect of the rise in the value of Canadian currency against the value of US currency and the pending requirement for US citizens to have passports, could result in a reduced number of international conventions taking place in Vancouver. However, to date, no definite bookings have been cancelled due to these issues, and Vancouver Convention & Exhibition Centre's market diversification means that other international events will replace any reduction in US events.

As PavCo's facilities are approximately 20 years old, requirements for repairs and maintenance will continue to escalate in the coming years. The Vancouver Convention & Exhibition Centre, which competes for business worldwide, requires and has a planned retrofit in order to remain competitive.

Sales and marketing activity for the Expansion of Vancouver Convention & Exhibition Centre has been well underway for over two years and has already delivered 60 conventions which are in various stages of the booking process. PavCo is working with the Provincial government to determine the most efficient operating model for future operations of Vancouver Convention & Exhibition Centre, in order to ensure optimum occupancy upon opening and the most efficient organizational structure for the combined facility.

PavCo receives funding from its shareholder to cover the shortfall between revenues and expenses, and for capital improvements to its facilities. This funding requirement will increase for Fiscal 2007/08 onwards following the sale of the Bridge Studios, which has contributed financial profitability to PavCo since it was transferred to the organization in 1989.

Analysis of financial operating results and variances for continuing operations

	2005/06 Actual	2006/07 Target	2006/07 Actual	Increase (decrease) from 2005/06	Explanation	Increase (decrease) from Target	Explanation
Revenue	28,125	27,849	32,447	4,322	Additional large events occurring during the year.	4,598	Unbudgeted events occurred at the facilities and existing bookings generated higher revenues than anticipated
Direct Costs	15,200	15,921	17,827	2,627	Incremental increase in costs of hosting the additional events	1,906	Incremental increase in costs of hosting the additional events
Gross Margin	12,925	11,928	14,620				
Facility Expenses							
Staffing	6,972	7,292	7,381	409	Increase in staff at VCEC due to preparation for opening of the expansion to the facility	89	Increase in staff at VCEC due to preparation for opening of the expansion to the facility
Operating	5,216	5,438	5,546	330	Higher building maintenance and utilities costs	108	Higher building repair and maintenance projects
General and administration	1,836	1,906	1,894	58		(12)	
Business development	1,285	1,553	1,459	174	Ongoing sales and marketing for VCEC expansion, as planned	(94)	VCEC sales plans proceeded as planned. However, fewer business trips than budget
Fees	1,185	817	1,136	(49)		319	Increased marketing communications costs for VCEC expansion and BC Place
Depreciation	2,590	2,760	3,084	494	Depreciation charged on increased asset base	324	Asset purchases and subsequent depreciation higher than expected
	19,084	19,766	20,500				
(Loss) before other expenses	(6,159)	(7,838)	(5,880)				

Comparison of financial operating results and forecasts for Fiscal 2003/04 to 2007/08

	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Target	2006/07 Actual	2007/08 Target
Revenue from operations	23,545	26,407	28,125	27,849	32,447	28,250
Direct Costs	12,421	14,371	15,200	15,921	17,827	16,178
Gross Margin	11,124	12,036	12,925	11,928	14,620	12,072
Facility Expenses						
Staffing	5,936	5,890	6,972	7,292	7,381	7,470
Operating	4,702	4,601	5,216	5,438	5,546	5,806
General and administration	1,888	2,032	1,836	1,906	1,894	1,949
Business development	652	1,265	1,285	1,553	1,459	1,604
Fees	528	776	1,185	817	1,136	837
Depreciation	3,269	1,888	2,590	2,760	3,084	2,960
	16,975	16,452	19,084	19,766	20,500	20,626
(Loss) before other expenses	(5,851)	(4,416)	(6,159)	(7,838)	(5,880)	(8,554)
Other expenses						
Restructuring (costs) recovery	(181)	357	-	-	-	-
Discontinued operation (Bridge Studios)	1,140	943	1,910	1,425	2,004	-
Cost of disposition Tradex	(2,807)	-	-	-	-	-
Write down BC Place Stadium	-	(75,000)	-	-	-	-
	(1,848)	(73,700)	1,910	1,425	2,004	-
Income (loss) before government contributions	(7,699)	(78,116)	(4,249)	(6,413)	(3,876)	(8,554)
Capital projects	(456)	(2,065)	(3,696)	(2,525)	(3,853)	(1,674)
Full time equivalent staff	123	131	143	144	153	149

Note:
Source of Financial 2006/07, and 2007/08 Targets is from 2006/07 – 2008/09 Service Plan – published February 2006
Financial and staff numbers have been reclassified to include Bridge Studios as a Discontinued Operation.

B.C. Pavilion Corporation

Statement of Management Responsibility

The financial statements of B.C. Pavilion Corporation for the year ended March 31, 2007 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the financial position of the Corporation as at March 31, 2007, and the results of its operations and changes in its financial position for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that financial records provide reliable information for the preparation of financial statements.

The Audit Committee of the Board of Directors carries out its responsibility for the review of the financial statements. The Committee meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Committee, with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements of B.C. Pavilion Corporation. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of the B.C. Pavilion Corporation.

Doris Bradstreet Daughney
Chief Executive Officer

John Harding
Chief Financial Officer

May 4, 2007

Report of the Office of the Auditor General of British Columbia

To the Board of Directors of the
B.C. Pavilion Corporation, and
To the Minister of Tourism, Sport and the Arts
Province of British Columbia:

I have audited the balance sheet of the *B.C. Pavilion Corporation* as at March 31, 2007 and the statements of operations and operations deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *B.C. Pavilion Corporation* as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 4, 2007

Errol Price, CA
Deputy Auditor General

B.C. Pavilion Corporation
Balance Sheet
(in $000s)

March 31	2007	2006
Assets		
Current		
Cash and cash equivalents (Note 3)	**8,532**	3,227
Accounts receivable	**2,245**	2,342
Due from Province of British Columbia	**-**	2,277
Prepaid expenditures	**508**	562
Assets held for sale (Note 4)	**5,525**	6,051
	16,810	14,459
Capital assets (Note 5)	**52,802**	52,033
	69,612	66,492
Liabilities		
Current		
Trade payables and accrued liabilities	**6,125**	3,806
Current portion of long-term debt (Note 6)	**75**	75
Unearned revenue	**3,645**	4,086
	9,845	7,967
Long-term		
Long-term debt (Note 6)	**268**	368
Unearned revenue	**513**	305
Deferred government contributions (Note7)	**29,929**	28,795
	30,710	29,468
	40,555	37,435
Shareholder's Equity		
Share capital (Note 8)	**-**	-
Contributed surplus	**31,131**	31,131
Operations deficiency	**(2,074)**	(2,074)
	29,057	29,057
	69,612	66,492

On behalf of the Board

David Podmore
Chairman of the Board

John Horning
Chairman of the Audit Committee

See accompanying notes to the financial statements.

B.C. Pavilion Corporation
Statement of Operations and Operations Deficiency
(in $000s)

Year Ended March 31	2007	2006
Revenues from operations (Note 9)	**32,447**	28,125
Direct costs	**17,827**	15,200
	14,620	12,925
Facility expenses		
Staffing	**7,381**	6,972
Operating	**5,546**	5,216
General and administration	**1,894**	1,836
Business development	**1,459**	1,285
Fees	**1,136**	1,185
Depreciation	**3,084**	2,590
	20,500	19,084
(Loss) on operations	**(5,880)**	(6,159)
Province of British Columbia grant (Note 7)	**3,876**	4,249
Loss before discontinued operations	**(2,004)**	(1,910)
Discontinued operations		
Net income from Bridge Studios (Note 4)	**2,004**	1,910
Net income	**-**	-
Operations deficiency – beginning of year	**(2,074)**	(2,074)
Operations deficiency – end of year	**(2,074)**	(2,074)

See accompanying notes to the financial statements.

B.C. Pavilion Corporation
Statement of Cash Flows
(in $000s)

Year Ended March 31	2007	2006
Operations		
(Loss) on operations	**(5,880)**	(6,159)
Depreciation	**3,084**	2,590
Loss on disposition of assets	**-**	5
Unearned revenue	**(233)**	1,318
Change in non-cash operating working capital (Note 10)	**5,273**	(2,103)
	2,244	(4,349)
Net income from Bridge Studios (Note 4)	**2,004**	1,910
Cash provided by (used in) operations	**4,248**	(2,439)
Financing		
Contributions from the Province of British Columbia	**5,010**	5,857
Cash provided by financing activities	**5,010**	5,857
Investing		
Capital asset additions	**(3,853)**	(3,561)
(Decrease) in long-term debt	**(100)**	(75)
Cash (used in) investing activities	**(3,953)**	(3,636)
Net increase (decrease) in cash and cash equivalents	**5,305**	(218)
Cash and cash equivalents – beginning of year	**3,227**	3,445
Cash and cash equivalents – end of year (Note 3)	**8,532**	3,227

See accompanying notes to the financial statements.

B.C. Pavilion Corporation
Notes to the Financial Statements - March 31, 2007
(tabular amounts in $000s)

1. Authority and purpose

B.C. Pavilion Corporation (PavCo) was incorporated under the laws of British Columbia on May 3, 1984. The mandate of PavCo is to generate economic and community benefit for the people of British Columbia through the management of public tourism and cultural facilities.

PavCo owns and operates BC Place Stadium and Bridge Studios, and operates the Vancouver Convention & Exhibition Centre under a separate agreement with Canada Place Corporation.

PavCo is exempt from income taxes under the Income Tax Act as it is wholly owned by the Province of British Columbia.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Short-term investments
Short-term investments consist of units in the Province of British Columbia Pooled Investment Portfolios. Units are carried at the lower of cost adjusted by income attributed to the units, and fair value. Income attributed to the units represents the unitholder's share of the interest earned by the Portfolio and may be realized upon the sale of the units.

Capital assets
Capital assets funded through contributions by the Province of British Columbia are recorded at cost less accumulated depreciation.

Capital assets funded by the Government of Canada are recorded at cost, net of the related contributions and less accumulated depreciation.

Capital assets contributed by other parties in exchange for services are recorded at the fair value less accumulated depreciation.

2. Summary of significant accounting policies (continued)

Assets are depreciated over their estimated useful lives to PavCo:

Buildings and improvements	10 to 50 years, straight line
Furniture	5 years, straight line
Computer equipment	3 years, straight line
Leasehold improvements	over the shorter of the estimated useful life of the improvement and the term of the lease
Motor vehicles	30% per annum, declining balance
Equipment and other capital assets	1 to 10 years, straight line

Government funding
Funding received from the Province of British Columbia is recognized as deferred government contributions when received and is then recorded as a recovery to the extent operating expenses exceed revenues.

Funding for depreciable capital assets is recorded as deferred government contributions and is recognized as a recovery in the statements of operations equal to the depreciation charged on the related capital assets.

Funding for acquisition of non-depreciable capital assets, such as land, is recorded as contributed surplus.

Revenue recognition
Revenue from events at BC Place Stadium and the Vancouver Convention & Exhibition Centre is recognized on the completion of events. Amounts received in advance of event completion are recorded as unearned revenue.

Revenue from rentals at Bridge Studios is recognized as the facility is utilized.

Contra-transactions
Unearned revenue resulting from contra-transactions, such as the exchange of goods or services for advertising, is amortized over the term of the services contract.

Accounting estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions based on information available. Such estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from the amounts estimated.

2. Summary of significant accounting policies (continued)

Environmental expenses
Under the current legislation responsibility for site cleanup rests with the polluter. Environmental expenditures incurred as a result of the ongoing business activities of PavCo are expensed as appropriate.

Financial instruments
PavCo has various financial instruments including cash, receivables and payables. The carrying values of these financial instruments approximates their fair value due to their short-term nature.

Foreign currency transactions
Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the balance sheet date.

Impairment of long-lived assets
PavCo reviews capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting standard CICA Handbook Section 3063 "Impairment of Long-Lived Assets". An impairment loss is recognized when the carrying amount of an asset that is held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value, which is measured by discounted cash flows when quoted market prices are not available.

Related parties
PavCo is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities considered to be in the normal course of operations, are recorded at the exchange amounts, predominantly under prevailing trade terms.

3. Cash and cash equivalents

PavCo considers deposits in banks and short-term investments with original maturities of three months or less as cash and short-term investments.

	2007	2006
Cash	3,230	3,056
Short-term investments	5,302	171
	8,532	3,227
Fair value of short-term investments	5,306	171

4. Discontinued operations

During the year ended March 31, 2007 the shareholder directed PavCo to sell the assets associated with the operations known as Bridge Studios. Subsequent to year end an offer was received with completion expected during the first quarter of the fiscal year commencing April 1, 2007. The sale of Bridge Studios will result in a reduction of revenues, expenses and net income for PavCo.

Comparative financial results for Bridge Studios are:

Year Ended March 31	2007	2006
Revenues from operations	4,764	4,503
Direct costs	383	404
	4,381	4,099
Facility expenses		
Staffing	359	339
Operating	999	839
General and administration	325	287
Business development	41	31
Fees	59	116
Depreciation	594	577
	2,377	2,189
Net income	2,004	1,910

The carrying costs of the capital assets at March 31, 2007 are $5,525 thousand (2006 $6,051 thousand).

5. Capital assets

	2007			2006
	Carrying Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Facilities				
BC Place Stadium (Note A)	100,364	49,261	**51,103**	50,840
Vancouver Convention & Exhibition Centre	7,737	6,080	**1,657**	1,179
Corporate Office	75	33	**42**	14
	108,176	**55,374**	**52,802**	52,033

Note A – BC Place Stadium carrying cost includes land $29,818 thousand.

Management performed an impairment test using the undiscounted future cash flows for the operations of BC Place, which indicated that the net book value exceeds the current and future projected cash flows from operations of the facility at March 31, 2005. The recoverable amount of the capital asset has been written down to its estimated fair value, resulting in an impairment charge of $75 million during fiscal 2005.

PavCo has a lease agreement with Canada Place Corporation relating to Vancouver Convention & Exhibition Centre. The lease is for a 20-year term, at nominal annual rent, and PavCo is responsible for all operating costs. As the lease term represents the full economic life of the asset it is included in the capital assets of the Corporation.

6. Long-term debt

	2007	2006
British Columbia Transportation Financing Authority	**343**	443
Less: Current portion	**75**	75
	268	368

The long-term non interest bearing debt is repayable over a ten year term to 2011. The minimum amount payable each year is $75 thousand.

7. Deferred government contributions

	2007			2006
	Capital Assets	Operating	Total	Total
Balance, beginning of year	**27,472**	**1,323**	**28,795**	27,187
Contributions received from the Province of British Columbia	**4,164**	**846**	**5,010**	5,857
	31,636	**2,169**	**33,805**	33,044
Allocated to operations:				
To offset depreciation recorded on related capital assets	**(3,489)**	**-**	**(3,489)**	(3,007)
To fund current operating deficiency	**-**	**(387)**	**(387)**	(1,242)
	(3,489)	**(387)**	**(3,876)**	(4,249)
Balance, end of year	**28,147**	**1,782**	**29,929**	28,795

8. Share capital

PavCo has authorized capital of 10,000 common shares without par value of which one share is issued and outstanding. The Minister of Tourism, Sport and the Arts holds the share issued as the designated representative of Her Majesty the Queen in right of the Province of British Columbia.

9. Revenue from operations by business segment

	2007	2006
Vancouver Convention & Exhibition Centre	**19,106**	15,344
BC Place Stadium	**13,054**	12,713
Corporate Office	**287**	68
	32,447	28,125

10. Change in non-cash operating working capital

	2007	2006
Receivables	**97**	(393)
Due from Province of British Columbia	**2,277**	(1,801)
Prepaids	**54**	(24)
Assets held for sale	**526**	442
Trade payables and accrued liabilities	**2,319**	(327)
	5,273	(2,103)

11. Intangible rights

PavCo has had interests in two properties that have been sold or transferred to third parties. Under the terms of the transfer agreements, PavCo could have rights to further income or property at some future date if these or other adjacent properties are developed or sold.

The first relates to a parcel of land adjacent to BC Place Stadium that was transferred to a developer for future exchange for another piece of land of approximate size. If by 2008 the adjacent land is sub-divided or developed, then PavCo will receive the land exchange, otherwise, PavCo will receive cash compensation of approximately $150 thousand.

The second relates to a parcel of land in Surrey, British Columbia, that, if the land were to be sold or redeveloped before March 2016, then PavCo would receive three fifths of the sales proceeds of the land over $1.1 million. No estimate is available of the current value of the land or of the intention of the owner to dispose of it at this time.

12. Environmental costs

PavCo and predecessor property owners remain liable for environmental and reclamation obligations for known hazards that exist at Bridge Studios or may exist at other facilities. These hazards are being actively monitored and mitigated by PavCo's management. Management is not aware of any existing environmental problems related to its facilities that may result in material liability to PavCo.

13. Related party transactions

PavCo has the following related party transactions during the year, all of which were recorded at the exchange amount:

	2007	2006
Capital and operating funding	**5,000**	5,524
Signing bonus	**10**	333
Revenues from operations	**488**	309
Amounts included in accounts receivable	**2**	1
Payments for office and professional services	**1,819**	1,754
Amounts included in accounts payable and accrued liabilities	**47**	26
Repayment of long-term debt	**100**	75

14. Employee benefits plan

PavCo and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) has determined the Plan has an unfunded liability. As a result, the actuary determined that an increase in contribution rates of 1.88% each, for plan members and employers, was necessary in order for the Plan to maintain its long-term financial soundness and thus its ability to meet the pension promise made to plan members. The trustees therefore increased contributions effective April 1, 2006.

Contributions to the Plan by PavCo for fiscal 2007 were $586 thousand (2006 - $399 thousand).

15. Comparative figures

Certain comparative numbers have been restated to conform with the financial statement presentation used in the current year.

CORPORATE GOVERNANCE

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives from the Provincial Government. Governance matters are communicated to the Board through the annual Shareholder's Letter of Expectations. A Shareholder's Letter of Expectations between the Shareholder and PavCo was signed in 2006. This letter is an agreement of the respective roles and responsibilities of each and serves as the basis of agreement between the Shareholder and PavCo including the high-level performance expectations, public policy issues and strategic priorities. The letter is located on our website at www.bcpavco.com .

The Board currently has two standing committees: Audit (A), and Governance (G). The Audit Committee monitors financial reporting, internal controls, conflicts of interest, risk, and other related matters. The Governance Committee deals with staffing, compensation issues, and the implementation of all structural changes to the organization. Both committees review and develop matters in their specified areas and make recommendations to the entire Board.

The Board of Directors meets at least four times each year, and the committees meet as needed.

PavCo's Board members and committees served are:

David Podmore (Effective April 2007)
Norm Assam (A) (To April 2007)
Derek Brindle (Effective April 2007)
Doris Daughney (A) (G)
Ken Dobell (Effective April 2007)
John Horning (A) (G)
Daniel Jarvis (G)
Miriam Kresivo (A) (G)
Terry Lyons (A) (Effective April 2007)
Grant Ritchie (Effective April 2007)
Paul Taylor (A) (Effective April 2007)

The Board of Directors has adopted the guiding principles included in the Provincial Government's Governance Framework that provides an understanding of the roles and responsibilities for all parties that are part of the Crown Corporation Governance Environment:

- Stewardship, leadership and effective functioning of the board
- Clarity of roles and responsibilities
- Openness, trust and transparency
- Service and corporate citizenship
- Accountability and performance, and
- Value, innovation and continuous improvement.

Additional information on Board members and Board policies is available on PavCo's website, www.bcpavco.com/about.html. PavCo fully complies with the Provincial Government's "Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations", as detailed on the website.

MANAGEMENT:

Howard Crosley, General Manager, BC Place
John Harding, Chief Financial and Operating Officer. Corporate Secretary
Ron Hrynuik, General Manager, The Bridge Studios
Barbara Maple, President, Vancouver Convention & Exhibition Centre

INFORMATION ON OPERATING SEGMENTS (UNAUDITED)

Vancouver Convention & Exhibition Centre

Comparison of Financial Results and Targets (in $000)

	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Target	2006/07 Actual	2007/08 Target
Revenue	14,529	16,913	15,344	17,175	19,106	16,760
Direct Costs	7,759	9,101	8,297	9,944	10,688	9,684
Gross Margin	6,770	7,812	7,047	7,231	8,418	7,076
Facility Expenses						
Staffing	2,474	2,667	3,329	3,862	3,729	3,958
Operating	2,729	2,883	2,865	2,751	3,114	2,806
General and administration	1,147	1,179	987	1,252	1,090	1,279
Business development	413	1,026	1,001	1,302	1,254	1,327
Fees	237	378	687	222	480	302
	7,000	8,133	8,869	9,389	9,667	9,672
Income (Loss) before other expenses	(230)	(321)	(1,822)	(2,158)	(1,249)	(2,596)
Major repairs and capital expenditures	(66)	(638)	(704)	(600)	(1,079)	(624)
Subsidy requirement before depreciation	(296)	(959)	(2,526)	(2,758)	(2,328)	(3,220)

Note: Source of Financial 2006/07 and 2007 /08 Targets is from 2006/07 – 2008/09 Service Plan – published February 2006. Some of the projections in the 2006/07 and 2007/08 Targets have been recast as more detailed information became available on projected event revenues and costs. The Subsidy forecast remained unchanged.

Significant variances between financial results Fiscal 2005/06 and Fiscal 2006/07:

Revenues and gross margin were higher as a result of increased event activity at the facility. The direct costs of hosting these events also increased.

Staffing costs increased with the creation of full time positions to market and manage the expanded facility.

General and administration costs were higher with an increase in computer and telephone costs.

Business development costs increased due to higher marketing activity relating to the expansion of the facility.

Fees decreased due to reduced legal advice required for contract negotiations.

Significant variances between financial results Fiscal 2006/07 and target results for the year:

Revenues and gross margin increased as a result of higher occupancy at the facility. The direct costs of hosting these events also increased.

Staffing expenses were lower than forecast as turnover and deferred hiring resulted in several positions remaining vacant for a portion of the year.

Operating costs increased as a result of more of maintenance and repairs projects being carried out. In addition, shared costs passed from the landlord were higher than forecast.

General and administration costs were lower due to insurance costs being significantly lower than forecast.

Fees increased due to ongoing costs of negotiations for supplier contracts.

BC Place

Comparison of Financial Results and Targets (in $000)

	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Target	2006/07 Actual	2007/08 Target
Revenue	8,244	9,414	12,713	10,632	13,054	11,450
Direct Costs	4,344	5,270	6,903	5,977	7,139	6,494
Gross Margin	3,900	4,144	5,810	4,655	5,915	4,956
Facility Expenses						
Staffing	2,756	2,858	3,216	3,060	3,209	3,137
Operating	1,754	1,718	2,349	2,687	2,432	3,000
General and administration	891	944	961	995	1,065	1,010
Business development	230	233	282	250	203	276
Fees	102	238	322	325	448	335
	5,733	5,991	7,130	7,317	7,357	7,758
Income (Loss) before other expenses	(1,833)	(1,847)	(1,320)	(2,662)	(1,442)	(2,802)
Major repairs and capital expenditures	(346)	(1,361)	(2,840)	(1,250)	(2,735)	(1,050)
Subsidy requirement before depreciation	(2,179)	(3,208)	(4,160)	(3,912)	(4,177)	(3,852)

Note:
Source of Financial 2006/07, and 2007/08 Targets is from 2006/07 – 2008/09 Service Plan – published February 2006. Some of the projections in the 2006/07 and 2007/08 Targets have been recast as some projected maintenance costs were reclassified as capital expenditures, and more detailed information became available on projected event revenues and costs. The subsidy forecast remained unchanged.

Significant variances between financial results Fiscal 2005/06 and Fiscal 2006/07:

Revenues and gross margin were higher as a result of increased high margin events. The direct costs of hosting these events also increased.

Fees were higher with increased marketing communications activity.

General and administration costs were higher with an increase in computer maintenance expenses and insurance.

Significant variances between financial results Fiscal 2006/07 and target results for the year:

Revenues and gross margin increased as a result of higher occupancy at the facility than expected. The direct costs of hosting these events also increased.

Bridge Studios (Sold May 2007)

Bridge Studios - Comparison of Financial Results and Targets (in $000)

Comparison of Financial Results and Targets (in $000)

	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Target (Note)	2006/07 Actual	2007/08 Target
Revenue	3,789	3,352	4,503	4,135	4,764	-
Direct Costs	361	297	404	291	383	-
Gross Margin	3,428	3,055	4,099	3,844	4,381	-
Facility Expenses						
Staffing	230	275	339	335	359	-
Operating	759	809	841	888	999	-
General and administration	288	287	287	281	325	-
Business development	32	34	32	46	41	-
Fees	305	28	116	120	59	-
	1,614	1,433	1,615	1,670	1,783	-
Income (Loss) before other expenses	1,814	1,622	2,484	2,174	2,598	-
Major repairs and capital expenditures	(44)	(66)	(136)	(136)	(66)	-
Contribution (subsidy) before depreciation	1,770	1,556	2,348	2,038	2,532	-

Note:
Source of Financial 2006/07 and 2007/08 Targets is from 2006/07 – 2008/09 Service Plan – published February 2006. The original target for 2006/07 envisioned profitability in excess of $1.5 million would be invested in capital improvements and soils remediation. This was subsequently reduced following the decision to dispose of the property.

Significant variances between financial results Fiscal 2005/06 and Fiscal 2006/07:

Revenues and gross margin increased as a result of increases in rental rates to clients.

An increase in operating costs due to environmental remediation work, was partially offset by a refund of prior year property taxes.

Following direction to sell the facility, fees reduced as a result of reduced planning for a future expansion.

Significant variances between financial results Fiscal 2006/07 and target results for the year:

Revenues and gross margin increased as a result of higher occupancy at the facility than expected.

Fees were reduced due to cancellation of plans to expand studio space.

No targets are included for Fiscal 2007/08 as a result of the decision to sell the facility.

Event Highlights during the Year Ended March 31, 2007

Vancouver Convention & Exhibition Centre
348 Events
World Urban Forum 2006
CIM 2006 Convention
American Roentgen Ray Society 106th Annual Meeting
CAW Convention 2006
GLOBE 2006
2006 Prudential Insurance Conference
Truck Loggers Association
Canadian Cardiovascular Conference 2006
Comm. Energy and Paperworkers Union Convention 2006
Telus Sales Conference 2007
Hemophilia 2006 World Congress

BC Place
55 Events – 212 Event days
Rolling Stones Bigger Bang Tour
BC Lions Regular Season Football
Western Division Final
Vancouver Gift Show
Pacific International Auto Show
BC Home and Garden Show
Vancouver International Boat Show
Vancouver Sun Run
Vancouver Home & Interior Design Show
Amp'd Mobile Supercross
MonsterJam / Motorspectacular

The Bridge Studios
24 Productions
Stargate / Atlantis
Black Christmas
Killer Instinct
Dungeon Siege
Television Commercials

APPENDIX 1

Comparison of new and old performance measures, and source of data.

GOAL	Measures per 2006/07 to 2008/09 Service Plan	Measures per 2007/08 to 2009/10 Service Plan	Reason for change in measures	Source of Data
Maximization of revenues and economic growth	Comparison of net Economic Benefits generated through operations	Same		Vancouver Convention & Exhibition Centre bases estimates on detailed surveys of client, delegate and production spending for each event and economic impact estimates calculated through the BC Stats Input/Output model. BC Place bases estimates on the Tourism Economic Assessment Model developed by the Canadian Tourism Research Institute, using visitor, exhibitor, and producer numbers for those attending events. Bridge Studios bases estimates on film producers' costs of productions in the province. Benefits are for net economic benefit to British Columbia, unless otherwise disclosed.
	Compare Contribution (subsidy) on operations (before depreciation) - BCPS and VCEC	Same		Generated from financial data used to compile audited statements.
	Comparison of revenues - Bridge Studios	Same		Generated from financial data used to compile audited statements.
	Compare year-over-year attendance - BCPS	Same		Ticket count of visitors to spectator events and floor count of number of visitors to other events at BC Place.
	Increase non-resident delegate days - Vancouver Convention & Exhibition Centre	Same		Actual delegate days are the number of out-of-province delegates, as supplied by show managers and tracked through the corporate Event Management System. Estimates for future years from data provided through the Corporate Event Management System.
Maintain and increase client services and satisfaction	Score on client satisfaction surveys at BCPS and VCEC	Same		Data from surveys sent post-events to clients.

APPENDIX 1

Comparison of new and old performance measures, and source of data.

GOAL	Measures per 2006/07 to 2008/09 Service Plan	Measures per 2007/08 to 2009/10 Service Plan	Reason for change in measures	Source of Data
	Retention of existing business - BCPS	Same		The count of recurring major events for the year compared with the number of events in the previous year.
Maintain and improve the facilities under our management	Margin per event - BCPS	Margin per event (excluding football) at BCPS	Revised to exclude football revenues from the calculations. The margin from football events is typically lower than other business at the facility. A comparison of pre-football margins is therefore considered to be a more reliable indicator of profitability of the new business that is being attracted to the facility.	Margin per event and event type is tracked through the financial system.
	Measure facility occupancy - Bridge Studios	Same		Comparison of square footage occupied at the Bridge Studios against total square footage available for the year.
Innovation, learning and growth	Training hours per employee - Bridge Studios	Measure removed	Retained as internal measure	
	Employee retention - BCPS	Same		

WHERE TO FIND US

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